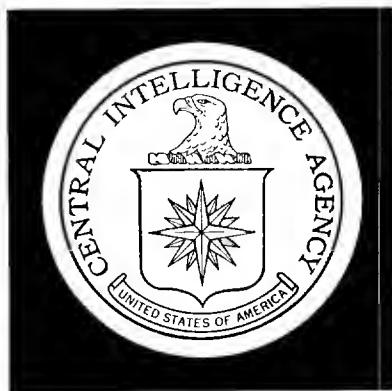


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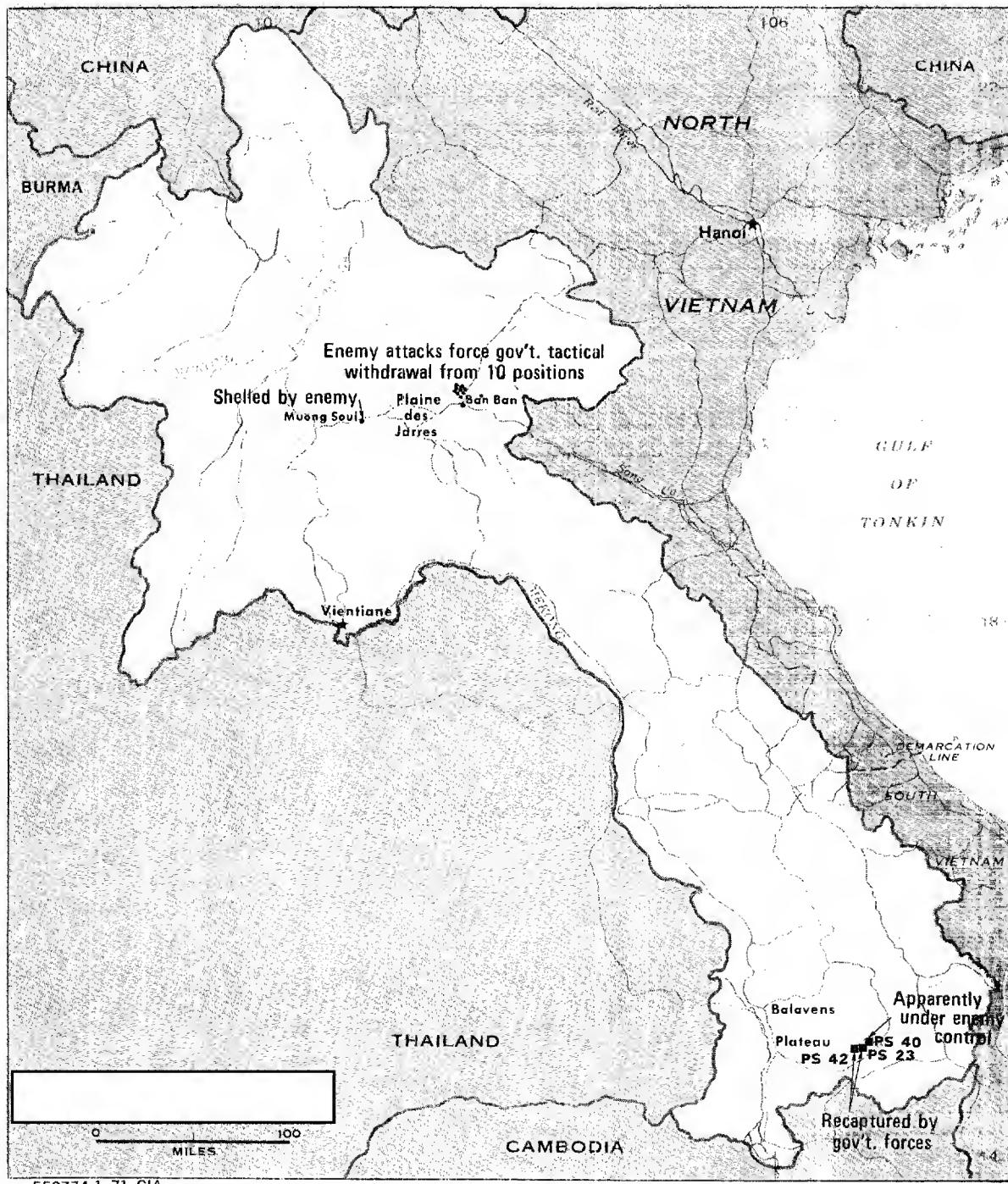
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LAOS: Current Situation



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LAOS: Stiff Communist resistance to Vang Pao's harassing operation against Ban Ban continued throughout the New Year's weekend.

Between 31 December and 2 January, the Communists attacked a total of ten government positions northwest and northeast of Ban Ban. In each case the irregulars withdrew to the north rather than risk unacceptably high casualties. Although the positions fell into enemy hands, only two irregulars out of a force that included elements of several battalions were wounded.

Except for a ten-round rocket attack against the irregular-neutralist base at Muong Soui, which caused no casualties or damage, there was little tactical activity on the western flank of the Plaine during the weekend.

Action in south Laos, meanwhile, remained focused on the Bolovens Plateau area. Government irregulars recaptured without opposition two of the three small sites on the plateau's southern rim that had been lost to the enemy on 1 January, although one had been destroyed. The third site apparently remains in Communist hands.

(Map)

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USSR-CHINA: Deep-seated differences on the Sino-Soviet frontier issue were ultimately responsible for the collapse last month of the Russian-Chinese talks on river navigation along the border.

Moscow's original announcement on the talks, which had dragged on for over five months and ended on 19 December, had sought to imply that some kind of agreement had been reached, but Peking flatly denied that this was the case a few days later.

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[redacted] the negotiations failed to make substantive progress because of "fundamental differences" between China and the USSR.

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[redacted] Moscow had proposed that navigation facilities on the Far Eastern border rivers be maintained without prejudice to territorial claims, but Peking allegedly refused to grant the Russians access to territory it controlled as of 11 September 1969--the date of the Kosygin - Chou En-lai meeting. [redacted]

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[redacted] the Chinese proposed a series of navigation "formulas" that would undermine Moscow's position on the border issue at the talks in Peking. [redacted]

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[redacted] the Chinese had been "making things difficult" for the USSR by refusing to let the Soviets dredge some sections of the border rivers, a task more critical to the Russians, who use larger craft.

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[redacted] It seems likely [redacted] that the Chinese "formulas" included insistence that the main navigation channel serve as the boundary in the border rivers, a principle disputed by Moscow despite its general acceptance in international law.

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The failure of the navigation talks, together with Peking's attack last week on "Soviet revisionist imperialism" in Eastern Europe which was triggered by events in Poland, have somewhat negated the recent signs of improvement in state-to-state relations. Moscow, for example, broke its own suspension of full dress polemics on 31 December in a Pravda editorial that rebuked the Chinese for their attack, terming it "pure provocation" and worse than that emanating from the West. Soviet diplomats in Peking have hinted that the Chinese blast and the failure of the navigation talks may delay the return of Ambassador Tolstikov and chief border talks negotiator Ilichev from their Moscow sojourn.

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SINGAPORE-MALAYSIA: Tensions between Malaysia and Singapore are likely to impede progress toward regional defense during this week's organizational meeting of the Commonwealth five-power defense arrangement partners.

The five-power arrangement--consisting of Malaysia, Singapore, the UK, Australia, and New Zealand--is shaky at best and many problems need to be resolved before it can be fully implemented. The grouping is designed primarily to enhance the security of the two Asian members of the team, but frictions between those two, as well as Asian suspicions of the intentions of the Western powers, will have to be overcome before any meaningful structure can be created. Malaysia and Singapore are at present caught up in disputes over Singapore's use of Malaysian water and over the management of Malaysian-Singapore Airlines. Officials in both capitals are also suspicious of the other's defense plans, which are being developed without any mutual consultation.

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It is unlikely that Singapore-Malaysian frictions as such will be discussed during this week's working-level meeting, and the differences do not yet appear headed for a crisis. The Western partners are sufficiently worried, however, that they may attempt to reduce irritants between the two countries during the Commonwealth prime ministers' conference later this month.

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BOLIVIA: President Torres has purged several military officers and made a bid for popular support by promising new elections.

Press reports indicate that several military officers who took part in the overthrow last October of former President Ovando have been relieved of their commands. Also, two members of the three-man military junta that was named shortly before Torres assumed power have been retired; they did not hold command positions. A move against these officers was expected during the traditional end-of-year military reassessments. Their removal and retirement, therefore, will not necessarily add momentum to the coup plotting that has been under way for almost two months. At the same time, Torres announced that Ovando has been retired from the armed forces. The former president, who is now ambassador to Spain, may have approved this action to formalize his own removal from the national political scene.

In a New Year's speech, Torres announced that he will call elections as soon as a nationwide referendum scheduled for June approves a new constitution and electoral statutes. This promise, even as qualified, may undercut some of his military and civilian opponents, who have been using the President's lack of a popular mandate to justify their efforts to organize a coup.

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JAPAN: The draft budget for the fiscal year beginning April 1971 is tailored to avoid both a renewal of overheating and any further slowdown of the economy.

According to press reports, Finance Minister Fukuda stated the economy does not now need any fiscal stimulus and characterized the budget as a continuation of the "neutral" budget that has held for the past several years. The over-all budget is planned to reach \$38 billion. This includes a 17-percent increase, which is about equal to the expected rise in gross national product. Tokyo also plans to increase appropriations for a reserve fund outside the regular budget that could be used to step up public works spending to prevent any further economic slowdown. The government pledged to continue its efforts to stabilize consumer prices, which it believes will increase by 5.5 percent in 1971.

The recent Japanese economic slowdown is expected to continue well into 1971, according to both government and private Japanese economists. Real economic growth slackened in 1970, but was still at least double that of other developed countries. It is expected to range between 10 and 11 percent this year as it did in 1970.

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NOTES

USSR: Premier Kosygin has publicly reiterated Moscow's endorsement of SALT and has expressed Soviet desire for a "reasonable" agreement equally advantageous to both sides. His comments, given to a Japanese newspaper on 1 January, were published at least in part by the Soviet news agency TASS and Izvestia. Kosygin evinced neither optimism nor pessimism on the progress of SALT. He said "a study of relevant questions" was continued during the last session at Helsinki and that it is easy to understand that the questions are not simple and that positive results require efforts by both sides. Kosygin also stuck to established Soviet positions on other international subjects.

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SYRIA - ARAB STATES: Oil company sources are optimistic that the Trans-Arabian Pipeline (Tapline) will be reopened soon. Tapline, which carries Saudi Arabian crude oil to the Lebanese port of Sidon via Jordan, the Israeli-occupied Syrian Golan Heights, and Syria, has been closed since 3 May when it was breached in Syria by a tractor. Negotiations with Damascus, seeking arrangements for repair of the pipeline, have until recently been stalled by exorbitant Syrian demands. The Syrians, however, reportedly have now lowered their demands, and the oil companies involved are hopeful that the line can be reopened by the first of April at the latest.

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BOLIVIA: [redacted]

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[redacted] a US official in Santa Cruz
will be kidnaped and assassinated about 6 January.

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[redacted] This and other terrorist attacks [redacted]
[redacted] would inaugurate the ELN's urban warfare
campaign. In early December, a communiqué attri-
buted to the ELN said that a US official would be
"brought to judgment" if the USIS office in Santa
Cruz was not closed by 9 January. The pro-Castro
ELN has previously kidnaped two German technicians.
Security measures have been taken to protect US
personnel in the Santa Cruz area. [redacted]

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PHILIPPINES: The defection last week of a
Philippine Army officer to the Huk rebels has given
the Huks a propaganda windfall, but it will not ap-
preciably increase their limited capabilities. The
defector, a graduate of the Philippine Military
Academy, raided the academy's armory on 29 December
with a few civilian accomplices and made off with
a supply of small arms. Long tagged as a malcontent,
he had recently been relieved as an instructor at
the academy and assigned to administrative duties
there. The Manila press is giving heavy attention
to the defection--the first by a graduate of the
elite military academy. This will further disturb
President Marcos, who is probably already chagrined
over the fact that the officer is of the President's
Ilocano ethnic group. [redacted]

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